

Message Text

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ACTION AF-08

INFO OCT-01 EUR-12 NEA-10 ISO-00 CIAE-00 DODE-00 PM-04
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INFO AMEMBASSY BONN
AMEMBASSY CAIRO
AMEMBASSY JIDDA
AMEMBASSY KHARTOUM
AMEMBASSY LONDON
AMEMBASSY MOGADISCIO
AMEMBASSY MOSCOW
AMEMBASSY NAIROBI
AMEMBASSY PARIS
AMEMBASSY SANA

C O N F I D E N T I A L ADDIS ABABA 12399

E.O. 11652: GDS
TAGS: PINT,FT,ECON
SUBJECT: ABDALLAH'S KAMIL'S BUDGET SEPEECH -II

REF: A. ADDIS 12049, B. PARIS 34826, C. MOGADISCIO 1962, D. ADDIS
12344

SUMMARY: PART I OF THIS MESSAGE (ADDIS ABABA 12344) COVERED
ABDALLAH'S REVIEW OF HIS GOVERNMENT AND ITS PLANS FOR PRE-IN-
DEPENDENCE PERIOD. THIS TELEGRAM COVERS PERTINENT FEATURES OF
AUSTERITY BUDGET. SIZE OF 1977 BUDGET BASICALLY UNCHANGED FROM
1976. BECAUSE OF COSTS RELATED TO AFRICANIZATION OF BUREAU-
CRACY AND EXPECTED DECREASE IN GOVERNMENT REVENUES, WAGES, PRO-
MOTIONS AND RECRUITMENT FROZEN OR RESTRICTED. OPERATING OUTLAYS
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FOR ADMINISTRATIVE SERVICES CUT BY 12.5 PERCENT. IMPORT DUTIES
TO BE RAISED BY 4 PERCENT AND TOBACCO TAX BY 5 PERCENT. END SUMMARY.

1. AFTER NOTING PROPOSED BUDGET HAD BEEN COMMUNICATED TO
CHAMBER OF DEPUTIES THAT DAY, ABDALLAH STATED BUDGET HAD
NOT BEEN PREPARED UNDER CONDITIONS HE WOULD HAVE HOPED

FOR, CONSIDERING BUDGET LIMITATIONS GREATLY RESTRICTED GOVERNMENT'S ACTIONS IN PRE-INDEPENDENCE PERIOD. HE INDICATED IMPOSSIBILITY OF PROPERLY PREPARING BUDGET FOR TERRITORY FOR FIRST SIX MONTHS OF 1977 AND FOR INDEPENDENT STATE FOR SECOND SEMESTER. DIFFICULTIES IN PREPARING PRESENT BUDGET WERE MINIMAL, HOWEVER COMPARED TO THOSE THAT WOULD BE FACED BY NEW REPUBLIC OF DJIBOUTI (ROD) CONSIDERING ITS NEW RESPONSIBILITIES IN AREAS OF DEFENSE, FOREIGN POLICY, JUSTICE, AND COMMUNICATIONS. ABDALLAH NOTED THAT IN FUTURE ROD, CHAMBER OF DEPUTIES WOULD HAVE TO APPROVE BUDGET AND THAT EXTENT OF GOF BUDETARY SUPPORT FOR ROD WOULD NOT BE KNOWN UNTIL PERIOD OF APRIL TO JUNE.

2. PRESENT BUDGET WAS MODERATELY OPTIMISTIC, AND ASSUMED EMPLOYMENT AND CONSUMPTION WOULD BE MAINTAINED AT OR NEAR PRESENT LEVELS. BUDGET WAS ONE OF AUSTERITY. IT MADE NO PROVISION FOR INCREASE IN SALARIES, OTHER THAN NORMAL PROMOTIONS, OR NEW RECRUITMENT OTHER THAN IN AREA OF EDUCATION. NORMAL OPERATING OUTLAYS FOR ALL ADMINISTRATIVE SERVICES WERE TO BE CUT BY 12.5 PERCENT. ABDALLAH STATED THAT TRUE INDEPENDENCE COULD NOT COME WITHOUT TRUE AUSTERITY, AND FACT THAT TFAI WAS LIVING ABOVE ITS INDEPENDENT MEANS WAS MORE THAN OBVIOUS. WHILE FRANCE AND OTHER STATES HAVE PROMISED TO PROVIDE SUBSTANTIAL AID, NORMAL FUNCTIONS OF GOVERNMENT WOULD HAVE TO BE ASSURED BY RESOURCES OF TERRITORY. THIS WAS PRICE OF INDEPENDENCE.

3. WITH RESPECT TO FRENCH ASSISTANCE DURING TRANSITIONAL YEAR TO INDEPENDENCE ABDALLAH STATED:

A. TECHNICAL ASSISTANCE IN FORM OF FRENCH EXPERTS WOULD BE CONFIDENTIAL

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MAINTAINED AT 1976 LEVEL OF APPROXIMATELY 130.

B. FINANCIAL AID (FIDES) WOULD CONTINUE AT SAME LEVEL AS 1976 WITH OTHER ASSISTANCE FOR EDUCATION, HEALTH, AND PUBLIC EQUIPMENT PURPOSES EXPECTED TO BE MAINTAINED AT 1976 LEVELS.

C. SOLELY FRENCH SERVICES TRANSFERRED TO ROD (JUSTICE, CIVIL AVIATION, ETC). AT INDEPENDENCE WOULD CONTINUE TO RECEIVE SAME LEVEL OF PERSONAL AND FINANCIAL ASSISTANCE.

ABDALLAH INDICATED THAT SECOND HALF OF 1977 WOULD BE ONE OF ADAPTATION. FOR EXAMPLE, MAJOR CHANGES COULD BE EXPECTED IN CIVIL LAW WHICH PRESENTLY RESTED ON FRENCH CIVIL LEGISLATION.

4. PRESIDENT INDICATED ORDINARY BUDGET WOULD BE SLIGHTLY IN EXCESS OF 6 BILLION DJIBOUTI FRANCS (APPROXIMATELY \$US 40 MILLION), A SLIGHT INCREASE OVER 1976. EVEN WITH MODERATELY OPTIMISTIC OUTLOOK FOR ECONOMY, GOVERNMENT REVENUES EXPECTED TO FALL BY 200 MILLION DJIBOUTI FRANCS (APPROXIMATELY \$US ONE MILLION). GOVERNMENT WOULD RAISE IMPORT DUTIES BY 4 PERCENT AND TOBACCO TAX BY 5 PERCENT, BUT DID NOT INTEND TO RAISE DIRECT

TAXES. HE PARTICULARLY NOTED GOVERNMENT DID NOT INTEND IMPOSE FISCAL MEASURES WHICH WOULD DIRECTLY AFFECT PROFITS OF BUSINESS COMMUNITY.

5. ON OUTLAYS, ABDALLAH INDICATED THAT BUDGETARY CHANGES WERE PRIMARILY RESULT OF COST OF AFRICANIZATION OF BUREAUCRACY AND EXPENSES INVOLVED IN FORMATION OF NEW CADRE. THIS EXPENSIVE POLICY FOR TERRITORY, BOTH IN VIEW COST OF EDUCATION AND TRAINING, AND FACT THAT WHEN FRENCH TECHNICIANS PAID BY GOF REPLACED, LOCAL GOVERNMENT BECAME RESPONSIBLE FOR FUNDING. IN ADDITION, 30 NEW INSTRUCTORS BEING RECRUITED AND SCHOLARSHIP AID UP 400 PERCENT.

6. ABDALLAH CLOSED HIS BUDETARY PRESENTATION BY INDICATING THAT OTHER THAN COSTS OF AFRICANIZATION, 1977 BUDGET WAS WITHOUT SURPRISES, AND ONE WHICH ANTICIPATED CERTAIN ADDITIONAL EXPENSES (ELECTIONS, CREATION OR ORGANS OF NEW GOVERNMENT). TIENKEN
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